

UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

VIACOM INTERNATIONAL INC., COMEDY)
PARTNERS, COUNTRY MUSIC)
TELEVISION, INC., PARAMOUNT)
PICTURES CORPORATION, and BLACK)
ENTERTAINMENT TELEVISION LLC,)

Plaintiffs,)

vs.)

YOUTUBE, INC., YOUTUBE, LLC,)
and GOOGLE INC.,)

Defendants.)

THE FOOTBALL ASSOCIATION PREMIER)
LEAGUE LIMITED, BOURNE CO., et al.,)
on behalf of themselves and all)
others similarly situated,)

Plaintiffs,)

vs.)

YOUTUBE, INC., YOUTUBE, LLC and)
GOOGLE, INC.,)

Defendants.)

VIDEOTAPED DEPOSITION OF WENDY CHANG
SAN FRANCISCO, CALIFORNIA
FRIDAY, JULY 11, 2008

BY: ANDREA M. IGNACIO HOWARD, CSR, RPR, CLR
CSR LICENSE NO. 9830
JOB NO. 15371

JULY 11, 2008

10:03 a.m.

VIDEOTAPED DEPOSITION OF WENDY CHANG,
held at the offices of SHEARMAN & STERLING,
525 Market Street, San Francisco, California,
pursuant to notice, before ANDREA M. IGNACIO
HOWARD, CLR, RPR, CSR License No. 9830.

A P P E A R A N C E S:

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ALSO PRESENT: Lou Meadows, Videographer

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1 10:04:38 A 901 Cherry Avenue, San Bruno, California. I

2 10:04:42 don't know the zip on that.

3 10:04:43 Q How far away are those offices from each

4 10:04:45 other?

5 10:04:49 A Maybe 20 miles.

6 10:04:55 Q Can you please give me a brief summary of

7 10:04:59 your educational background starting with when you

8 10:05:01 graduated from high school.

9 10:05:02 A Okay. I went to Cornell University. It was

10 10:05:05 a double major in economics and Japanese studies.

11 10:05:08 Graduated in 1997, and I went to Columbia Business

12 10:05:14 School for my MBA. Graduated in 2002.

13 10:05:17 Q And anything after Columbia Business School?

14 10:05:22 A Nope.

15 10:05:22 Q Do you hold any professional licenses or

16 10:05:24 certificates?

17 10:05:25 A No, I do not.

18 10:05:26 Q And could you give me a brief summary of your

19 10:05:32 work history, I guess, beginning after your graduation

20 10:05:35 from Cornell.

21 10:05:38 A Okay. I was at Morgan Stanley as a financial

22 10:05:40 analyst for three years from 1997 to 2000, and then

23 10:05:46 2001, 2002 in business school.

24 10:05:48 Worked at a company called Telaflora as a

25 10:05:55 financial planning and analysis manager for about a

1 10:05:58 year, and have been at Google since April of 2004.

2 10:06:04 Q And when you started with Google in April of
3 10:06:08 2004, what was your job title?

4 10:06:11 A Senior financial analyst.

5 10:06:13 Q And what were your responsibilities?

6 10:06:15 A I started working on the AdSense side of the
7 10:06:22 business calculating our partner payments for our
8 10:06:24 direct partners.

9 10:06:26 Q Can you just briefly tell me what you mean by
10 10:06:29 the AdSense side of the business?

11 10:06:31 A Okay. Do you need me to explain the business
12 10:06:34 itself or just what I --

13 10:06:35 Q Well, why don't you start with what is
14 10:06:37 AdSense --

15 10:06:37 A Okay.

16 10:06:37 Q -- in very general terms?

17 10:06:39 A Right.

18 10:06:40 So, in my understanding of it, is that
19 10:06:43 there -- the majority of Google's revenues comes from
20 10:06:46 AdWords and AdSense, and AdWords is where the
21 10:06:49 advertisers bid on certain key words, right, and every
22 10:06:53 single time a user clicks on that, we make money off
23 10:06:56 of it.

24 10:06:56 We take the same database of advertisers and
25 10:07:00 through a syndication network, which we're calling

1 10:07:04 AdSense, are able to distribute those ads to other
2 10:07:07 publisher websites.

3 10:07:09 So, for example, AdSense for search would be
4 10:07:13 for if you're doing a search on AOL, a Google ad will
5 10:07:17 appear that is relevant to your search. Similarly,
6 10:07:20 AdSense for content, you could be reading an article
7 10:07:23 in the New York Times, and there could be relevant key
8 10:07:27 word ads that are served up, so it's the syndication
9 10:07:30 of our advertising.

10 10:07:32 Many of these agreements are quite complex,
11 10:07:35 so rather than automating it through our system, we
12 10:07:39 manually calculate the -- the agreement -- the
13 10:07:43 payments according to the contractual obligations.

14 10:07:46 Q And how long did you stay in the position of
15 10:07:50 senior financial analyst at Google?

16 10:07:57 A I don't know. Maybe two years.

17 10:07:58 Q And at some point your position changed?

18 10:08:00 A I'm finance manager now.

19 10:08:02 Q And when did you become finance manager?

20 10:08:08 A I suppose about two years ago.

21 10:08:10 Q Okay.

22 10:08:10 A Okay.

23 10:08:10 Q So since you've been at Google, you've had
24 10:08:13 two titles; is that fair to say?

25 10:08:15 A Yes.

1 10:08:15 Q So first senior financial analyst, and then
2 10:08:18 finance manager; correct?

3 10:08:20 A That's correct.

4 10:08:20 Q Okay. And as a -- in either of those
5 10:08:22 capacities, was your work at Google limited to any
6 10:08:27 particular -- well, strike that.

7 10:08:32 What -- why don't you explain to me what
8 10:08:36 different areas of Google you had responsibility for.

9 10:08:39 For instance, did you just work with Google and its
10 10:08:42 search pages? Did you do work with Google video?

11 10:08:45 If you could just give me a general sense of
12 10:08:47 your overall responsibilities.

13 10:08:49 A So it's always been in the finance capacity.

14 10:08:54 Q Okay.

15 10:08:57 A And it has changed over time across different
16 10:09:00 groups. Started with the AdSense Group on the pattern
17 10:09:04 of payments and then to enterprise, which is taking
18 10:09:07 our search solutions and, I guess, selling that
19 10:09:12 technology to institutions, and then on to content
20 10:09:20 more broadly.

21 10:09:21 So if you think about Google enabling users
22 10:09:25 to find all of the world's information, a lot of that
23 10:09:28 information is not available online today. So
24 10:09:30 supporting the content team who gets that content onto
25 10:09:34 Google, and then that included Google Video, as well

1 14:16:05 content or whether it may be in the form of

2 14:16:08 user-generated content.

3 14:16:09 Advertisers want eyeballs, and content

4 14:16:14 providers want to make money. So you can't make money

5 14:16:20 from the advertisers unless you have the users, and

6 14:16:24 you're only going to have -- have users if you have

7 14:16:29 the right content, so I would say all of it is an

8 14:16:32 equal.

9 14:16:33 Q Okay. Item B, see where it says "Challenges

10 14:16:39 from both a business model perspective and a legal

11 14:16:43 liability perspective in terms of pornographic and

12 14:16:46 copyright infringed content as among the primary

13 14:16:49 drivers of YouTube traffic"? Do you see that?

14 14:16:51 A I do.

15 14:16:52 Q Do you know what that refers to?

16 14:16:54 A At the time that this document was drafted, I

17 14:16:56 don't believe we knew anything about the -- the data

18 14:17:00 about YouTube. We weren't allowed to speak to them,

19 14:17:03 so there were concerns that some of the content may

20 14:17:12 not be authorized on it, but we did not know for a

21 14:17:16 fact anything about the -- what traffic YouTube had.

22 14:17:21 Q But there was a concern that there might be

23 14:17:29 traffic that was driven by pornographic or copyright

24 14:17:33 infringed material? Was that a concern?

25 14:17:36 MS. REES: Object to the form of the

1 14:22:16 distribution and having users," do you have any
2 14:22:19 understanding of what that means?

3 14:22:24 A Not in this particular context, but for
4 14:22:27 Google, usually we think about always putting our
5 14:22:30 users first.

6 14:22:33 Q And then jumping down to the next larger
7 14:22:37 paragraph, it says "Focus on the users and get the
8 14:22:39 traffic"; you see that?

9 14:22:44 A Yes.

10 14:22:44 Q Do you understand what Susan's referring to
11 14:22:50 when she says "get the traffic"?

12 14:22:53 MS. REES: Object to the form of the
13 14:22:55 question.

14 14:22:55 THE WITNESS: No, I do not.

15 14:23:06 MS. CUNHA: Q. Do you personally think that
16 14:23:07 traffic is important for Google and YouTube's business
17 14:23:11 model?

18 14:23:12 A Yes.

19 14:23:12 Q And is that for the reasons you described
20 14:23:15 about the users and the content and the advertisers?

21 14:23:18 A That is correct.

22 14:23:18 Q You see, jumping down, it says, "Then you
23 14:23:28 have an audience and monetization will follow"? Do
24 14:23:31 you see that?

25 14:23:32 A Sorry. What -- which?

1 14:23:34 Q So the next single sentence paragraph after
2 14:23:36 the one that starts --
3 14:23:37 A Oh.
4 14:23:37 Q -- "Focus."
5 14:23:38 A Yes.
6 14:23:38 Q "Then you have an audience and monetization
7 14:23:41 will follow"; do you agree with that?
8 14:23:43 A Yes. Personally I would say it's the three
9 14:23:47 that I would say.
10 14:23:48 Q You would say it's the audience, the content,
11 14:23:51 and the monetization?
12 14:23:53 A That is correct.
13 14:23:53 (Document marked Chang Exhibit 19
14 14:24:20 for identification.)
15 14:24:36 MS. CUNHA: Q. Showing you the next
16 14:24:38 Exhibit 19. I may have given you two.
17 14:24:40 MS. REES: Yeah.
18 14:24:41 MR. HASSEL: Thanks.
19 14:26:05 THE WITNESS: Okay.
20 14:26:05 MS. CUNHA: Okay.
21 14:26:06 Q Do you recognize this e-mail chain?
22 14:26:09 A I don't remember the specific e-mail chain,
23 14:26:11 but I do remember this event surrounding it.
24 14:26:15 Q Okay. In the e-mail from you on the
25 14:26:20 bottom -- well, actually first why don't you tell me

1 15:40:02 Q And do you see at the end of his e-mail there
2 15:40:06 he says "If we are able to open up watch pages to
3 15:40:11 monetization through video fingerprinting --"

4 15:40:14 A I'm sorry. Where are you?

5 15:40:16 Q At the last paragraph in Jamie's e-mail on
6 15:40:19 the first page, it starts with "The one caveat I would
7 15:40:22 issue."

8 15:40:24 A Okay.

9 15:40:24 Q He says "If we are able to open up watch
10 15:40:26 pages to monetization through video fingerprinting and
11 15:40:31 user-partner type programs, the monetization program
12 15:40:34 of watch changes significantly."

13 15:40:36 Do you have any understanding to what he's
14 15:40:39 referring to there?

15 15:40:48 A I don't know specifically as I'm not on this
16 15:40:51 e-mail chain. However, what I would venture to guess
17 15:40:54 is, by having commercial arrangements with our
18 15:41:00 partners, and if they've claimed additional videos, it
19 15:41:02 just increases the volume of content that we can show
20 15:41:10 ads against.

21 15:41:11 Q And is it part of YouTube's strategy to
22 15:41:21 increase the number of videos against which it can
23 15:41:24 show ads?

24 15:41:26 A Yes. We only show ads against what we call
25 15:41:29 monetizable content, which is content that the partner

1 15:41:34 has signed a commercial arrangement, has authorized.

2 15:41:40 So only 5 percent, approximately, of all playback is

3 15:41:42 monetized today.

4 15:41:53 Q So, for instance, if an individual uploads a

5 15:41:57 user-generated video and they're not a partner of

6 15:42:00 YouTube, that content is not going to have an ad

7 15:42:04 played against it; correct?

8 15:42:06 A We do not know if it's authorized or not

9 15:42:09 authorized, so we do not monetize against it.

10 15:42:12 Q And has that been the case since Google

11 15:42:14 acquired YouTube?

12 15:42:15 A Since Google acquired YouTube, we have not

13 15:42:17 been monetizing on any content that we do not know

14 15:42:20 whether or not -- whether -- we -- if they have not

15 15:42:24 signed a commercial arrangement with us.

16 15:42:29 Q Next, Exhibit 30. I only have four. You

17 15:42:40 guys may have to share over there.

18 15:42:42 MR. BAREA: I'll share.

19 15:42:45 (Document marked Chang Exhibit 30

20 15:43:02 for identification.)

21 15:43:02 MS. CUNHA: Q. Do you recognize this

22 15:43:04 document?

23 15:43:05 A Don't remember this one specifically, but

24 15:43:10 comments of this nature I remember, yes.

25 15:43:12 Q And who is Alex Ellerson?

1 15:58:30 Q No, I'm not anywhere right now. That's just
2 15:58:32 a question --

3 15:58:33 A Oh.

4 15:58:33 Q -- detached from a document.

5 15:58:35 A Okay. So I'm not sure generally what you're
6 15:58:40 speaking about, but when I use those terms, "search
7 15:58:43 revenues" are related to the revenues associated to a
8 15:58:47 search results page. Whereas I think the other one
9 15:58:50 was "partner revenue"; is that your question?

10 15:58:52 Q Yes.

11 15:58:53 A "Partner revenue" would be revenues that are
12 15:58:55 associated with a watch page.

13 15:58:56 Q And does YouTube have search revenue?

14 15:59:01 A Yes, we do.

15 15:59:02 Q And it has partner revenue; correct?

16 15:59:07 A Yes.

17 15:59:07 Q And is there any other type of revenue that
18 15:59:09 YouTube has?

19 15:59:11 A We would currently put it into four big
20 15:59:15 categories. One being the home page itself. One
21 15:59:20 being the search results page. One being watch page
22 15:59:26 or what you were asking as the partner revenue, and
23 15:59:30 one being kind of a catchall that we're calling other,
24 15:59:34 which is just revenues that are generated from ads on
25 15:59:39 other pages throughout the site.

1 15:59:41 Q And can you give me a rough estimate
2 15:59:47 percentage wise how it breaks down? What percent of
3 15:59:51 the revenue is home page, versus search results,
4 15:59:55 versus watch pages?

5 15:59:56 A You know, it's probably hard to believe, but
6 15:59:58 I can't recall. I stare at numbers all day. I
7 16:00:02 couldn't tell you. I could tell you in totality, but
8 16:00:05 I couldn't tell you relevant percentages.

9 16:00:08 Q Okay. Is watch page the largest category?

10 16:00:13 A Watch page is the smallest category.

11 16:00:15 Q And watch page is the category -- strike
12 16:00:18 that.

13 16:00:19 Is watch page the category that we've been
14 16:00:21 discussing where ads are only shown against authorized
15 16:00:26 content?

16 16:00:28 A I would not say authorized. I would say ads
17 16:00:30 are only shown against content in which we have signed
18 16:00:33 a commercial agreement to show ads against. It's
19 16:00:37 possible that of that remaining portion we do not show
20 16:00:40 ads against, some of that may be authorized. We just
21 16:00:42 do not know.

22 16:00:43 Q But when you refer to the watch page revenue,
23 16:00:46 that's the revenue that relates to the ads shown
24 16:00:51 against videos with whom YouTube has a commercial
25 16:00:54 contract; correct?

1 16:00:55 A That is correct.

2 16:00:56 Q Okay. And the other categories, the home

3 16:00:58 page, search results, and catchall are more general

4 16:01:02 categories, and they're not limited to a particular

5 16:01:05 video that YouTube may have a commercial relationship

6 16:01:08 with the content provider; correct?

7 16:01:10 A There are no playbacks on those pages, and so

8 16:01:12 you cannot establish any direct link to any video.

9 16:01:16 Q So, for instance, on a search page, if

10 16:01:20 someone goes to YouTube and does a search, the search

11 16:01:22 results will come up on -- on the screen and an ad may

12 16:01:26 show on another part of the screen?

13 16:01:28 A That's correct.

14 16:01:29 Q And so they may see the thumbnails of a

15 16:01:32 video, but to play the video, they'd have to click on

16 16:01:35 that thumbnail, and that would take them to another

17 16:01:38 screen; correct?

18 16:01:39 A That's correct.

19 16:01:39 Q So -- and the ad that's on the search result

20 16:01:41 page is only on the page with the thumbnails; correct?

21 16:01:44 A I'm sorry. Can you repeat that?

22 16:01:45 Q Sure.

23 16:01:46 I just want to make sure I understand the

24 16:01:48 category.

25 16:01:49 A Yeah.